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High-level event: Fostering Africa's structural transformation

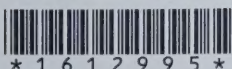
Summary prepared by the UNCTAD secretariat

1. In his opening remarks, the Deputy Secretary-General of UNCTAD noted that Africa had enjoyed a steady trajectory of impressive gross domestic product growth since 2002, including double-digit growth in some instances. Sound macroeconomic policies and political stability were at the heart of the “Africa rising” story. However, in analysing the contributing factors underlying Africa’s growth, it was clear that growth had mainly been driven by domestic consumption, especially rising demand for consumer goods, and major commodity and construction booms. Growth could be attributed more to consumption than to investment or manufactures exports, which partly explained the rapid growth of the services sector that accounted for almost half of the continent’s output. This pattern of development – shifting from agriculture to non-tradable services, without improving productivity through industrialization, technical change and formal job creation – had not promoted the kind of structural transformation that Africa urgently needed.

2. The panellists highlighted the importance of implementing Agenda 2063 of the African Union, which entailed a vision and a mission for Africa and, as such, was a key driver of regional integration. Participants noted the key challenges and opportunities for the continent if it could muster the resources needed to foster structural transformation.

3. Participants highlighted concerns related to securing sufficient financial resources to achieve Africa’s development agenda. Several participants noted that a key enabler of regional integration was peace and security. Addressing matters related to migration, terrorism and insecurity required sharing information and integrating more effectively, if Africa was to transform effectively and peacefully. It was noted that African countries had collaborated well, with common positions at the United Nations Conference on Sustainable Development in 2012, at the twenty-second session of the Conference of the Parties to the United Nations Framework Convention on Climate Change and on the financing for development initiative. There was also a framework for cooperation between the

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


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United Nations and the African Union, which included a capacity-building programme for Africa to begin in 2017, enhancing the synergies between Agenda 2063 and the 2030 Agenda for Sustainable Development.

4. Participants also highlighted the need to build on African Union, United Nations and donor initiatives such as on energy for all, power Africa and the continental free trade area. There was consensus on the importance of boosting electricity services to power Africa's transformation. More than 50 per cent of the African population did not have access to electricity, and participants noted that the lack of adequate energy meant that the continent lost around 2 per cent of potential gross domestic product growth per annum. Africa needed to generate more renewable energy resources, better utilize the energy it currently produced and increase investment in energy infrastructure services.

5. There was consensus among the panellists that Africa needed to achieve structural transformation and embrace democracy, and that plurality and transparency were key. Corruption also needed to be addressed, and Africa needed to choose appropriate technologies for its own production and secure the necessary investment to spur innovation, especially in the agricultural sector. African agriculture and industrialization were not mutually exclusive, and the former should not be neglected at the expense of the latter. In addition, there was an important role for women. Finally, panellists noted that the United Nations had been supporting Agenda 2063.

6. Regional integration was an opportunity but also a great challenge, requiring greater freedom of movement of people, capital and goods. High commodity prices-based growth was not sustainable for Africa; commodity dependence needed to be addressed through a drive to enhance economic diversification. UNCTAD was commended for linking the two topics of structural transformation and regional trade integration, as the latter could help speed up the former. Most of Africa's trade was North-South; intraregional trade was at only about 13 per cent, and it was therefore important to link the two topics.

7. One panellist noted the existence of a paradigm paralysis, whereby Africa was focused on traditional external export markets, and emphasized that Africa needed a paradigm shift to enhance intraregional trade. Participants requested African leaders to support, with resources, the doubling of intra-African trade within a generation. If the continent was to successfully transform structurally, it needed to do so through both building and more effectively tapping the African market of a potential one billion consumers. However, one participant noted that Africa's trade preferences were being eroded with rising trade blocs such as the Transatlantic Trade and Investment Partnership and that for this reason Africa needed to develop a functioning continental free trade area.

8. Key points of consensus during the session included the following:

(a) Africa needed to open up capital and, particularly, goods and labour markets. Freedom of movement would help boost productivity and growth across the continent, enabling skills and technology to move to areas of the continent where they were in most demand;

(b) Trade, especially through a continental free trade area to boost intraregional trade, was of critical importance. Achieving a continental free trade area was within Africa's grasp, and would contribute to growth;

(c) Corruption must be addressed; African judiciaries needed to play a key role in developing Africa through tackling corruption. This would have important implications for trade, investor confidence in the continent and secure property rights, all of which were critical to creating an enabling environment for private sector development and growth;

(d) The African Development Bank, national Governments and the African Union needed to foster structural transformation through boosting investment in energy and electricity infrastructure provision;

(e) African Governments needed to foster technological innovation and mechanization in the agricultural sector, to raise the sector's competitiveness and, inter alia, raise incomes in rural communities, where poverty was most entrenched.

9. Africa had set itself an ambitious trade integration agenda, evident in the ongoing negotiations for a continental free trade area. Through a continental free trade area, Africa could dismantle tariff barriers and streamline regulations in support of an integrated African market. Most panellists agreed that this could create unprecedented opportunities to deepen agricultural markets, widen the base for Africa's manufacturing sector and tap into the expanding African services market.



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